

# **VENTURA COUNTY COMMUNITY COLLEGE DISTRICT**

Audit Report

## **HEALTH FEE ELIMINATION PROGRAM**

Chapter 1, Statutes of 1984, 2<sup>nd</sup> Extraordinary Session,  
and Chapter 1118, Statutes of 1987

*July 1, 2006, through June 30, 2009*



**JOHN CHIANG**  
California State Controller

July 2012



**JOHN CHIANG**  
**California State Controller**

July 2, 2012

Stephen P. Blum, Esq., Chairperson  
Board of Trustees  
Ventura County Community College District  
255 W. Stanley Avenue, Suite 150  
Ventura, CA 93001

Dear Mr. Blum:

The State Controller's Office audited the costs claimed by the Ventura County Community College District for the legislatively mandated Health Fee Elimination Program (Chapter 1, Statutes of 1984, 2<sup>nd</sup> Extraordinary Session, and Chapter 1118, Statutes of 1987) for the period of July 1, 2006, through June 30, 2009.

The district claimed \$1,452,845 for the mandated program. Our audit disclosed that \$1,159,356 is allowable and \$293,489 is unallowable. The costs are unallowable primarily because the district overstated salaries and benefits, services and supplies, and indirect costs. The State paid the district \$1,361,377. The amount paid exceeds allowable costs claimed by \$202,021.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/vb

cc: James Meznek, Ph.D., Chancellor  
Ventura County Community College District  
Susan Johnson, Vice Chancellor  
Business and Administrative Services  
Ventura County Community College District  
Deborah LaTeer, Budget Officer  
Ventura County Community College District  
Christine Atalig, Auditor  
Fiscal Services Unit  
California Community Colleges Chancellor's Office  
Ed Hanson, Principal Program Budget Analyst  
Education Systems Unit  
Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Ventura County Community College District for the legislatively mandated Health Fee Elimination Program (Chapter 1, Statutes of 1984, 2<sup>nd</sup> Extraordinary Session, and Chapter 1118, Statutes of 1987) for the period of July 1, 2006, through June 30, 2009.

The district claimed \$1,452,845 for the mandated program. Our audit disclosed that \$1,159,356 is allowable and \$293,489 is unallowable. The costs are unallowable primarily because the district overstated salaries and benefits, services and supplies, and indirect costs. The State paid the district \$1,361,377. The amount paid exceeds allowable costs claimed by \$202,021.

## Background

Chapter 1, Statutes of 1984, 2<sup>nd</sup> Extraordinary Session, repealed Education Code section 72246 that authorized community college districts to charge a health fee for providing health supervision and services, providing medical and hospitalization services, and operating student health centers. This statute also required that health services for which a community college district charged a fee during fiscal year (FY) 1983-84 had to be maintained at that level in FY 1984-85 and every year thereafter. The provisions of this statute would automatically sunset on December 31, 1987, reinstating community college districts' authority to charge a health service fee as specified.

Chapter 1118, Statutes of 1987, amended Education Code section 72246 (subsequently renumbered as section 76355 by Chapter 8, Statutes of 1993). The law requires any community college district that provided health services in FY 1986-87 to maintain health services at the level provided during that year for FY 1987-88 and for each fiscal year thereafter.

On November 20, 1986, the Commission on State Mandates (CSM) determined that Chapter 1, Statutes of 1984, 2<sup>nd</sup> Extraordinary Session imposed a "new program" upon community college districts by requiring specified community college districts that provided health services in FY 1983-84 to maintain health services at the level provided during that year for FY 1984-85 and for each fiscal year thereafter. This maintenance-of-effort requirement applied to all community college districts that levied a health service fee in FY 1983-84.

On April 27, 1989, the CSM determined that Chapter 1118, Statutes of 1987, amended this maintenance-of-effort requirement to apply to all community college districts that provided health services in FY 1986-87, requiring them to maintain that level in FY 1987-88 and for each fiscal year thereafter.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on August 27, 1987, and amended them on May 25, 1989 and January 29, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist school districts in claiming mandated program reimbursable costs.

**Objective, Scope,  
and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Health Fee Elimination Program for the period of July 1, 2006, through June 30, 2009.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

**Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the Ventura County Community College District claimed \$1,452,845 for costs of the Health Fee Elimination Program. Our audit disclosed that \$1,159,356 is allowable and \$293,489 is unallowable.

For the FY 2006-07 claim, the State paid the district \$273,266. Our audit disclosed that \$294,292 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$21,026, contingent upon available appropriations.

For the FY 2007-08 claim, the State paid the district \$390,123. Our audit disclosed that \$460,565 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$70,442, contingent upon available appropriations.

For the FY 2008-09 claim, the State paid the district \$697,988. Our audit disclosed that \$404,499 is allowable. The State will offset \$293,489 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

**Views of  
Responsible  
Official**

We discussed our audit results with the district's representative during an exit conference conducted on June 11, 2012. Deborah LaTeer, Budget Officer, agreed with the audit results. Ms. LaTeer declined a draft audit report and agreed that we could issue the audit report as final.

**Restricted Use**

This report is solely for the information and use of the Ventura County Community College District, the California Community Colleges Chancellor's Office, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

July 2, 2012

# Schedule 1— Summary of Program Costs July 1, 2006, through June 30, 2009

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2006, through June 30, 2007</u>				
Direct costs:				
Salaries and benefits	\$ 936,668	\$ 936,668	\$ —	
Services and supplies	235,338	232,739	(2,599)	Finding 2
Total direct costs	1,172,006	1,169,407	(2,599)	
Indirect costs	423,327	476,884	53,557	Finding 3
Total direct and indirect costs	1,595,333	1,646,291	50,958	
Less authorized health service fees	(1,195,830)	(1,185,090)	10,740	Finding 4
Less offsetting savings/reimbursements	(105,211)	(99,351)	5,860	Finding 5
Subtotal	294,292	361,850	67,558	
Audit adjustments that exceed costs claimed <sup>2</sup>	—	(67,558)	(67,558)	
Total program costs	\$ 294,292	294,292	\$ —	
Less amount paid by the State		(273,266)		
Allowable costs claimed in excess of (less than) amount paid		\$ 21,026		
<u>July 1, 2007, through June 30, 2008</u>				
Direct costs:				
Salaries and benefits	\$ 1,145,123	\$ 1,145,123	\$ —	
Services and supplies	279,369	278,611	(758)	Finding 2
Total direct costs	1,424,492	1,423,734	(758)	
Indirect costs	507,974	506,144	(1,830)	Finding 3
Total direct and indirect costs	1,932,466	1,929,878	(2,588)	
Less authorized health service fees	(1,369,579)	(1,361,311)	8,268	Finding 4
Less offsetting savings/reimbursements	(102,322)	(102,322)	—	
Subtotal	460,565	466,245	5,680	
Audit adjustments that exceed costs claimed <sup>2</sup>	—	(5,680)	(5,680)	
Total program costs	\$ 460,565	460,565	\$ —	
Less amount paid by the State		(390,123)		
Allowable costs claimed in excess of (less than) amount paid		\$ 70,442		



**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2008, through June 30, 2009</u>				
Direct costs:				
Salaries and benefits	\$ 1,381,862	\$ 1,242,441	\$ (139,421)	Finding 1
Services and supplies	308,861	263,715	(45,146)	Finding 2
Total direct costs	1,690,723	1,506,156	(184,567)	
Indirect costs	669,863	565,931	(103,932)	Finding 3
Total direct and indirect costs	2,360,586	2,072,087	(288,499)	
Less authorized health service fees	(1,552,856)	(1,557,846)	(4,990)	Finding 4
Less offsetting savings/reimbursements	(109,742)	(109,742)	—	
Total program costs	<u>\$ 697,988</u>	404,499	<u>\$ (293,489)</u>	
Less amount paid by the State		(697,988)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (293,489)</u>		
<u>Summary: July 1, 2006, through June 30, 2009</u>				
Direct costs:				
Salaries and benefits	\$ 3,463,653	\$ 3,324,232	\$ (139,421)	
Services and supplies	823,568	775,065	(48,503)	
Total direct costs	4,287,221	4,099,297	(187,924)	
Indirect costs	1,601,164	1,548,959	(52,205)	
Total direct and indirect costs	5,888,385	5,648,256	(240,129)	
Less authorized health service fees	(4,118,265)	(4,104,247)	14,018	
Less offsetting savings/reimbursements	(317,275)	(311,415)	5,860	
Subtotal	1,452,845	1,232,594	(220,251)	
Audit adjustments that exceed costs claimed <sup>2</sup>	—	(73,238)	(73,238)	
Total program costs	<u>\$ 1,452,845</u>	1,159,356	<u>\$ (293,489)</u>	
Less amount paid by the State		(1,361,377)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (202,021)</u>		

<sup>1</sup> See the Findings and Recommendations section.

<sup>2</sup> Government Code section 17568 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2006-07 and FY 2007-08.

# Findings and Recommendations

## **FINDING 1— Unallowable salaries and benefits**

The district claimed unallowable salaries and benefits totaling \$139,421.

The district inadvertently reported budgeted costs rather than actual costs for Moorpark College and Oxnard College in fiscal year (FY) 2008-09.

The following table shows the audit adjustment:

	Fiscal Year 2008-09
Salaries and benefits:	
Moorpark College	\$ (90,148)
Oxnard College	(49,273)
Audit adjustment	<u>\$ (139,421)</u>

The program's parameters and guidelines state that actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities.

### Recommendation

We recommend that the district claim only those costs supported by its accounting records and source documents.

## **FINDING 2— Unallowable services and supplies**

The district claimed unallowable services and supplies totaling \$48,503. The audit adjustment was made for the following reasons:

- The district inadvertently reported budgeted costs rather than actual costs for Moorpark College and Oxnard College in FY 2008-09. As a result, the district overstated its services and supplies by \$45,214.
- The district claimed unallowable services and supplies totaling \$6,107. The district purchased various promotional items (i.e., stretchy strings, opaque key-ring lights, highlighters, lip balms, Bendeez sticks, etc.) and food provided to volunteers at the student health fairs.
- The district did not claim mandate-related capital outlay costs in FY 2008-09.

The following table summarizes the audit adjustment:

	Fiscal Year			
	2006-07	2007-08	2008-09	Total
Services and supplies:				
Overstated costs	\$ —	\$ —	\$ (45,214)	\$ (45,214)
Unallowable costs	(2,599)	(758)	(2,750)	(6,107)
Capital outlay costs	—	—	2,818	2,818
Audit adjustment	<u>\$ (2,599)</u>	<u>\$ (758)</u>	<u>\$ (45,146)</u>	<u>\$ (48,503)</u>

The parameters and guidelines state:

Actual costs must be traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities. . . .

Government Code section 17514 defines “costs mandated by the state” as any increased costs that the district is *required* to incur. In addition, Government Code section 17561, subdivision (d)(2)(B), states that the Controller may reduce any excessive or unreasonable claim. Food and promotional item expenditures are not required to maintain health services at the level that the district provided during the FY 1986-87 base year.

#### Recommendation

We recommend that the district claim only those services and supplies that are supported by its accounting records and source documents, allowable under the mandated program, and required to maintain health services at the level provided in FY 1986-87.

### **FINDING 3— Understated and overstated indirect costs**

The district either understated or overstated allowable indirect costs for each fiscal year. For the audit period, the district overstated indirect costs by \$52,205.

The district’s indirect cost rate calculations and claimed costs did not comply with the SCO’s claiming instructions for the following reasons:

- For FY 2006-07 and FY 2007-08, the district incorrectly reported physical property and related acquisition costs as direct costs. The claiming instructions do not include physical property and related acquisition costs in the indirect cost rate calculation. Instead, the district should have reported depreciation expense as an indirect cost.
- For FY 2007-08, the district calculated its indirect cost rate using a base of total direct costs. However, the claiming instructions direct districts to use a base of salaries and benefits only.
- For FY 2008-09, the district incorrectly reported community relations costs as indirect costs. The claiming instructions direct the district to report community relations costs as direct costs.
- For FY 2008-09, the district correctly calculated its indirect cost rate using a base of salaries and benefits. However, it incorrectly calculated indirect costs claimed by applying the rate to total direct costs.

The following table summarizes the audit adjustment:

	Fiscal Year			Total
	2006-07	2007-08	2008-09	
Allowable direct costs	\$ 1,169,406	\$ —	\$ —	
Allowable salaries and benefits	—	1,145,123	1,242,440	
Allowable indirect cost rate	× 40.78%	× 44.20%	× 45.55%	
Allowable indirect costs	476,884	506,144	565,931	
Indirect costs claimed	(423,327)	(507,974)	(669,863)	
Audit adjustment	<u>\$ 53,557</u>	<u>\$ (1,830)</u>	<u>\$ (103,932)</u>	<u>\$ (52,205)</u>

The parameters and guidelines state, “Indirect costs may be claimed in the manner described by the State Controller in his claiming instructions.”

For FY 2006-07, the SCO’s claiming instructions state:

A CCD [community college district] may claim indirect costs using the Controller’s methodology (FAM-29C) . . . The FAM-29C methodology uses a direct cost base comprised of salary and benefit costs and operating expenses. . . .

For FY 2007-08 forward, the SCO’s claiming instructions state:

A CCD [community college district] may claim indirect costs using the Controller’s methodology (FAM-29C) . . . The methodology used in form FAM-29C is a direct cost base comprised of salary and benefit costs. . . .

#### Recommendation

We recommend that the district claim indirect costs using indirect cost rates calculated and applied in accordance with the SCO’s FAM-29C methodology specified in the SCO’s claiming instructions.

#### **FINDING 4— Overstated authorized health service fees**

The district overstated authorized health service fees by \$14,018. The district overstated its authorized fees because it calculated the fees using incorrect enrollment data.

The district obtained its enrollment data from the California Community Colleges Chancellor’s Office’s (CCCCO) DataMart website. However, the DataMart enrollment figures do not eliminate duplicate entries for students who attend more than one of the district’s colleges. In addition, the DataMart figures do not include enrollment recorded under the CCCCCO’s management information system (MIS) data element STD7, codes D, E, and G.

Mandated costs do not include costs that are reimbursable from authorized fees. Government Code section 17514 states that “costs mandated by the state” means any increased costs that a school district is *required* to incur. To the extent community college districts can charge a fee, they are not required to incur a cost.

Education Code section 76355, subdivision (c), states that health fees are authorized for all students except those who: (1) depend exclusively on prayer for healing; or (2) are attending a community college under an approved apprenticeship training program.

The CCCCCO identified the fees authorized by Education Code section 76355, subdivision (a). The following table summarizes the authorized fees:

Fiscal Year	Authorized Health Fee Rate	
	Summer Session	Fall and Spring Semesters
2006-07	\$12	\$15
2007-08	\$13	\$16
2008-09	\$14	\$17

We obtained the applicable student enrollment data from the CCCCCO. The CCCCCO identified enrollment data from its MIS based on student data that the district reported. The CCCCCO identified the district's enrollment based on CCCCCO's MIS data element STD7, codes A through G. The CCCCCO eliminated any duplicate students based on their social security numbers. CCCCCO data element and code definitions are available at <http://www.cccco.edu/SystemOffice/Divisions/TechResearch/Info/MIS/DED/tabid/266/Default.aspx>. The district did not identify any students whom it excluded from the health service fee pursuant to Education Code section 76355, subdivision (c)(1).

The following table shows the authorized health service fee calculation and audit adjustment:

	Term			Total
	Summer Session	Fall Semester	Spring Semester	
<u>Fiscal Year 2006-07</u>				
Number of enrolled students	17,245	33,382	31,828	
Authorized health fee rate	× \$(12)	× \$(15)	× \$(15)	
Authorized health service fees	<u>\$ (206,940)</u>	<u>\$ (500,730)</u>	<u>\$ (477,420)</u>	\$ (1,185,090)
Less authorized health service fees claimed				<u>1,195,830</u>
Audit adjustment, FY 2006-07				<u>10,740</u>
<u>Fiscal Year 2007-08</u>				
Number of enrolled students	19,547	35,138	34,062	
Authorized health fee rate	× \$(13)	× \$(16)	× \$(16)	
Authorized health service fees	<u>\$ (254,111)</u>	<u>\$ (562,208)</u>	<u>\$ (544,992)</u>	(1,361,311)
Less authorized health service fees claimed				<u>1,369,579</u>
Audit adjustment, FY 2007-08				<u>8,268</u>
<u>Fiscal Year 2008-09</u>				
Number of enrolled students	21,131	37,259	36,977	
Authorized health fee rate	× \$(14)	× \$(17)	× \$(17)	
Authorized health service fees	<u>\$ (295,834)</u>	<u>\$ (633,403)</u>	<u>\$ (628,609)</u>	(1,557,846)
Authorized health service fees claimed				<u>1,552,856</u>
Audit adjustment, FY 2008-09				<u>(4,990)</u>
Total audit adjustment				<u>\$ 14,018</u>

Recommendation

We recommend that the district:

- Deduct authorized health service fees from mandate-related costs claimed. To properly calculate authorized health service fees, we recommend that the district identify the number of enrolled students based on CCCCCO data element STD7, codes A through G.
- Eliminate duplicate entries for students who attend more than one college within the district.
- Maintain documentation that identifies the number of students excluded from the health service fee based on Education Code section 76355, subdivision (c)(1).

**FINDING 5—  
Overstated offsetting  
savings/  
reimbursements**

The district overstated offsetting savings/reimbursements by \$5,860.

For FY 2006-07, the district inadvertently claimed Ventura College's interfund transfers as offsetting savings/reimbursements. The interfund transfers were transfers between Ventura College's general fund and its health services fund. The interfund transfers do not represent additional revenue received by the district.

The parameters and guidelines state:

Any offsetting savings the claimant experiences as a direct result of this statute must be deducted from the costs claimed. In addition, reimbursement for this mandate received from any source, e.g., federal, state, etc., shall be identified and deducted from this claim.

Recommendation

We recommend that the district exclude interfund transfers from offsetting savings/reimbursements that it reports on its mandated cost claims.

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**